

## Message Text

LIMITED OFFICIAL USE

PAGE 01 BUENOS 05731 280735Z

14/65

ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02 CIEP-01

LAB-04 SIL-01 OMB-01 DODE-00 NSCE-00 SSO-00 USIE-00

INRE-00 PA-01 PRS-01 H-02 L-03 /054 W

----- 113700

O 262040Z AUG 75

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC IMMEDIATE 2425

LIMITED OFFICIAL USE BUENOS AIRES 5731

C O R R E C T E D C O P Y (NUMBERED PARA 7)

E.O. 11652: N/A

TAGS: EGEN, EFIN, AR

SUBJECT: ECONOMY MINISTER ANTONIO CAFIERO ADDRESSES NATION

REF: BUENOS AIRES 5665

1. ECONOMY MINISTER ANTONIO CAFIERO SPOKE LAST NIGHT (AUGUST 25) SIXTY MINUTES TO NATION OUTLINING HIS ECONOMIC PROGRAM. ADDRESSED PRIMARILY TO WORKING FAMILIES, SPEECH WAS STRAIGHTFORWARD -- ALMOST TEXTBOOKISH IN PARTS -- BUT VERY EFFECTIVE. HIGHLIGHTS AS FOLLOWS:

2. INTRODUCTION: IN LONG POLITICAL INTRODUCTION, CAFIERO SAID HE HAD BEEN CALLED TO POSITION OF ECONOMY MINISTER BY MRS. PERON, AND HAD ACCEPTED IT AS BATTLEPOST. HE ISSUED STRONG WARNING TO EXTREMISTS OF LEFT AND RIGHT THAT EFFORTS TO OVERTURN INSTITUTIONAL SYSTEM, WHICH VOTED BY VAST MAJORITY OF ARGENTINES, WOULD RESULT IN UNCONTRALLABLE TRAGEDY AND BLOODSHED.

3. UNEMPLOYMENT: DR. CAFIERO SAID UNEMPLOYMENT MAJOR

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BUENOS 05731 280735Z

PREOCCUPATION OF WORKING CLASS IN ARGENTINA TODAY. IF

MEASURES NOT ADOPTED QUICKLY, UNEMPLOYMENT LEVEL COULD REACH ONE MILLION BY YEAR END. HE PROMISED PERONIST GOVERNMENT WOULD NOT EMPLOY CLASSIC MONETARIST METHODS -- WHICH PRODUCE UNEMPLOYMENT -- TO SOLVE BALANCE OF PAYMENTS AND INFLATION PROBLEMS. CAFIERO SAID HE WOULD INSTRUCT CENTRAL BANK TO INJECT SIGNIFICANT INCREASE IN LIQUIDITY TO ASSIST PRIVATE SECTOR. HE ALSO PROMISED TO REACTIVATE PUBLIC WORKS PROGRAMS AND HOUSING ACTIVITY.

4. PRICE CONTROLS: DR. CAFIERO SAID OTHER GREAT PREOCCUPATION OF WORKING CLASS FAMILIES IS INFLATION. GOA COULD IMPOSE PRICE FREEZE, HE CONTINUED, BUT THIS WOULD ONLY PRODUCE SHORTAGES, BLACK MARKET AND SMUGGLING. INSTEAD, GOA PROPOSED CONTROL PROFITABILITY OF CORPORATIONS ENSURING PROFITS DIRECTED TOWARD USEFUL SOCIAL PURPOSES. HE SAID CONTROLS WOULD BE DIRECTED PARTICULARLY TO LARGEST COMPANIES TO AVOID ABUSES WHICH MIGHT ARISE FROM THEIR PREDOMINANT MARKET POSITION. HE ALSO PLEDGED THAT GOA WOULD INITIATE STRICT VIGILANCE OVER PRICES OF BASIC CONSUMER ITEMS.

5. EXTERNAL SECTOR: CAFIERO GAVE BRIEF REVIEW OF CAUSES ARGENTINA'S EXTERNAL PROBLEMS WHICH, HE SAID, INCLUDED DROP IN INTERNATIONAL PRICES FOR ARGENTINE EXPORTS AND EC RESTRICTIONS ON ARGENTINE MEAT EXPORTS. HE ALSO FRANKLY ADMITTED ERROR IN MANAGEMENT OF EXCHANGE RATE HAD LED TO SHARP AND UNJUSTIFIED IMPORT INCREASES. AS MINISTER OF ECONOMY, CAFIERO SAID HE PREPARED VISIT ANY COUNTRIES WHICH COULD HELP ARGENTINA FINANCIALLY, AND TO ATTEND IMF/IBRD MEETINGS NEXT WEEK. HE EMPHASIZED THAT ARGENTINA STILL ABLE NEGOTIATE FROM STRONG POSITION -- NOT DOMINATED, BEATEN OR HUMILIATED. HE SAID DOMESTIC ECONOMIC PROGRAM NOT NEGOTIABLE IN INTERNATIONAL FORA.

6. EXPORT EXPANSION: CAFIERO STRESSED THAT EXPORTS MUST BE EXPANDED WITH HELP OF REALISTIC EXCHANGE RATE. HOWEVER, HE EMPHASIZED ARGENTINA HAD ENDED PERIOD OF "SHOCK TREATMENT" OR, AS HE PUT IT, "ELEPHANTS IN CHINA SHOP". HE THEN PROCEEDED TO ANNOUNCE NEW MINI DEVALUATION AS FOLLOWS: COMMERCIAL RATE FROM 33.50 PESOS PER DOLLAR TO 34.45; FINANCIAL RATE FROM 42.50 PESOS PER DOLLAR TO 44.20; AND LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BUENOS 05731 280735Z

TOURIST RATE FROM 64.00 PESOS PER DOLLAR (INCLUDING SPECIAL TOURIST TAX) TO 67.00 (INCLUDING SPECIAL TOURIST TAX) CAFIERO SAID THIS POLICY WOULD ALLOW POSSIBILITY OF QUICK ISSUE OF \$200 MILLION OF EXTERNAL BONDS TO PAY OUTSTANDING DEBTS. CAFIERO CONTINUED THAT GOA TRADE POLICY WOULD BE IMPLEMENTED WITHOUT REGARD TO IDEOLOGICAL BARRIERS -- AS THIS WAS POLICY OF GENERAL PERON. HE SAID A NEW FOREIGN COMMERCE BANK WOULD BE CREATED TO PROMOTE

EXPORTS AND NEGOTIATE WITH OTHER STATE TRADING COUNTRIES. CAFIERO CONTINUED THAT IMPORTS MUST BE TIGHTLY CONTROLLED. TOWARD THIS END, A FOREIGN EXCHANGE BUDGET WOULD BE IMPLEMENTED AND PUBLIC SECTOR IMPORTS WOULD BE RATIONALIZED.

7.AGRICULTURE:CAFIERO OUTLINED NO SPECIFIC NEW PROPOSALS FOR AGRICULTURAL SECTOR, BUT EMPHASIZED IT COULD EXPECT FULL SUPPORT FROM HIS ECONOMIC TEAM. HE ADDED HE FELT CERTAIN HE COULD COUNT ON PATRIOTISM OF AGRICULTURAL SECTOR TO PROVIDE RECORD CORPS FOR 1975/76.

8. FISCAL DEFICIT: CAFIERO EXPLAINED FISCAL DEFICIT PARTLY STRUCTURAL AND PARTLY DUE TO HIGH INFLATION RATES WHICH REDUCE REAL INCOME OF GOVERNMENT. RATIO OF GOVERNMENT TAX REVENUES TO GROSS NATIONAL PRODUCT NOW LOWEST IN LAST THIRTY YEARS SO TAX BURDEN BY NO MEANS EXCESSIVE. CAFIERO EXPLAINED GOVERNMENT WOULD SEEK TO USE FISCAL POLICY TO DETERMINE APPROPRIATE LEVEL AGGREGATE DEMAND. HE SAID SECRETARY OF FINANCE STUDYING APPROPRIATE TAX POLICIES. MEANWHILE, HE EMPHASIZED VALUE ADDED TAX AND PROFITS TAX REMAIN IN EFFECT AND SHOULD BE PAID.

9. CONCLUSION: IN EMOTIONAL FINALE, DR. CAFIERO OUTLINED ARGENTINA OF FUTURE -- DEVELOPED, INDUSTRIALIZED, TECHNICALLY PROFICIENT, AND STRONG. HE SAID TODAY WAS STARTING POINT FOR REACHING THIS BRIGHT FUTURE FOR ARGENTINA WHICH GENERAL PERON HAD ENVISIONED.

10. COMMENT: CAFIERO, IN HIS SPEECH, SEEKING RETURN TO MORE ORTHODOX PERONIST ECONOMIC LINE -- ALBEIT WITH ADJUSTMENTS FOR PRESENT ECONOMIC CIRCUMSTANCES. HIS EMPHASIS ON CONTROLS AND IMPORTANCE OF PUBLIC SECTOR QUITE NOTABLE. MINISTER HIMSELF CAME ACROSS AS ASTUTE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 BUENOS 05731 280735Z

POLITICIAN AND EMERGING POLITICAL FIGURE. SEVERAL COMMENTATORS HAVE NOTED HE ALMOST SEEMED TO BE INITIATING CAMPAIGN FOR POSSIBLE 1977 PRESIDENTIAL ID.

HILL

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, SPEECHES, ECONOMIC PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 26 AUG 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** greenet  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975BUENOS05731  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750297-1083  
**From:** BUENOS AIRES  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750815/aaaaamir.tel  
**Line Count:** 158  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 BUENOS AIRES 5665  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** greenet  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 02 SEP 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <02 SEP 2003 by WorrelSW>; APPROVED <18 DEC 2003 by greenet>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ECONOMY MINISTER ANTONIO CAFIERO ADDRESSES NATION  
**TAGS:** EGEN, EFIN, AR, (CAFIERO, ANTONIO)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006